

FREQUENTLY ASKED QUESTIONS CONCERNING PUBLIC ACT 00-43,
PROHIBITION ON CAMPAIGN CONTRIBUTIONS BY INVESTMENT SERVICES
PROVIDERS DOING BUSINESS WITH THE STATE TREASURER

In 1995, the General Assembly enacted a provision barring the investment services providers to the State Treasurer's office from contributing to a candidate for the office of State Treasurer, Public Act 95-188. Following the scandal of former Treasurer Paul J. Silvester, the General Assembly enacted Public Act 00-43, a portion of which bars the investment services providers to the Treasurer's office from contributing to or soliciting for *any* candidate for state or municipal office, including the General Assembly.

The Commission has received numerous inquiries concerning the applicability of Section 18 of Public Act 00-43, particularly the following amendment to Connecticut General Statutes §9-333n(f):

“(5) No individual who is an owner of a firm which provides investment services and to which the Treasurer pays compensation, expenses or fees or issues a contract, and no individual who is employed by such a firm as a manager, officer, director, partner or employee with managerial or discretionary responsibilities to invest, manage funds or provide investment services for brokerage, underwriting and financial advisory activities which are in the statutory and constitutional purview of the Treasurer, may make a contribution to, or solicit contributions on behalf of, an exploratory committee or candidate committee established by a candidate for nomination or election to any public office.”

This attempts to answer some of the most frequently asked questions concerning this provision of Public Act 00-43, which became effective upon passage.

What are “investment services?”

- “Investment services” are legal services, investment banking services, investment advisory services, underwriting services, financial advisory services or brokerage firm services. The Treasurer must pay compensation or fees to the investment services firm for the ban to apply.

Which individuals within investment services firms are prohibited from making contributions to, or soliciting funds for candidates?

- Owners
- Managers, officers, directors, partners
- Employees with managerial or discretionary responsibilities to invest, manage funds or provide investment services for brokerage, underwriting and financial advisory activities within the statutory and constitutional purview of the Treasurer

Does an owner include shareholders?

- Yes if the shareholder holds at least 5% of the outstanding stock of the firm.

Who is a manager?

- This question is currently being addressed in a pending request.

Public Act 00-43 bars contributions from the investment services providers to “a candidate for nomination or election to *any* public office.” Does that include federal candidates?

- No, Public Act 00-43 does not bar the investment services class from making contributions to, or soliciting on behalf of, candidates for presidential elector, United States senators or members in Congress. The ban on contributions from the investment services class applies only to candidates for state or municipal office, including General Assembly candidates.

Can investment services providers still purchase advertising space in a program booklet for a fundraising affair?

- Yes, because such a purchase is defined by law as *not being a contribution*, meaning, an individual that would be prohibited from contributing directing to a candidate or exploratory committee could purchase advertising space in a program booklet for a fundraising affair (\$50 for an individual, \$250 for the firm or company).

Political committees established by firms who do business with the Treasurer are barred from contributing to a candidate for the office of Treasurer by Connecticut General Statutes §9-333o(f). Are such political committees now barred from contributing to any candidate for public office?

- No. Public Act 00-43 does not contain a provision similar to the one in Connecticut General Statutes §9-333o(f). Individuals barred from contributing could contribute to such a committee, which could make a contribution to a candidate. However, if a contribution was made to a political committee by an individual prohibited from contributing directly, with the direction, understanding or agreement that a contribution (of the same amount) would be made to a particular candidate, the individual would be in violation of Connecticut General Statutes §9-333n(f) and the treasurer of the recipient committee passing the contribution along, laundering the contribution would be in violation of Connecticut General Statutes §9-333x(10).
- Investment services providers are barred from soliciting for candidates by Public Act 00-43. Consequently, the prohibited class is restricted from directing the contributions of a political committee towards a particular candidate. In addition, the prohibited class should not serve as treasurer or deputy treasurer for any candidate’s campaign, or hold a fundraiser for a candidate.